

FISCAL NOTE

Bill #: SB0343

Title: Increase beer tax to fund alcohol and drug prevention and treatment

Primary Sponsor: Wheat, M

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
State Special Revenue	\$15,870,913	\$16,154,965
Federal Special Revenue	\$1,020,136	\$1,478,102
Revenue:		
General Fund	(\$609,195)	(\$619,902)
State Special Revenue	\$15,870,913	\$16,154,956
Federal Special Revenue	\$1,020,136	\$1,478,102
Net Impact on General Fund Balance:	(\$609,195)	(\$619,902)

☐ Significant Local Gov. Impact

☐ Technical Concerns

☐ Included in the Executive Budget

☒ Significant Long-Term Impacts

☐ Dedicated Revenue Form Attached

☐ Needs to be included in HB 2

ASSUMPTIONS:

Department of Revenue (DOR)

1. The proposal will raise the tax per barrel of beer and redistribute the revenue from the beer tax.
2. In FY 2006 the estimated total beer tax revenue is \$3,967,000 (HJR 2), and in FY 2007 the estimated total beer tax revenue is \$4,038,000 (HJR 2). Under current law, beer tax revenue is distributed 76.74% to the state general fund and 23.26% to the Department of Health and Human Services (DPHHS). In FY 2006 the state general fund will receive a net amount \$2,986,276 after tribal distributions, and in FY 2007 it will receive a net amount of \$3,038,761 after tribal distributions. DPHHS will receive \$922,724 in FY 2006, and \$939,239 in FY 2007.
3. Under current law about 2% of the general fund revenue is transferred to the tribes of the Blackfeet, Fort Peck and Fort Belknap Reservations as part of revenue sharing agreements between the state and the tribes. In FY 2006 the estimated amount transferred is \$58,000, and in FY 2007 the estimated revenue transferred is \$60,000.

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4. Under the proposal the increase in the tax per barrel of beer will vary depending on the number of barrels brewed. For purposes of this analysis, the percent of increase associated with “greater than 20,000 barrels of production is used. This category of brewer contributes approximately 97% of all beer taxes collected. For this analysis the estimated increase in beer tax is approximately 384%.

SB 343, Change to Beer Tax Rate			
-----Tax Rate Per Barrel-----			
Barrels Produced by a Brewer	Current Law	Proposed Law SB343	% Change
Less than or equal to 5,000	\$1.30	\$17.83	1272%
5,001 to 10,000	\$2.30	\$18.83	719%
10,001 to 20,000	\$3.30	\$19.83	501%
Greater than 20,000	\$4.30	\$20.83	384%

5. FY 2006 increase in total revenue = \$19,216,886 (\$3,967,000 X \$20.83 / \$4.30).
6. FY 2007 increase in total revenue = \$19,560,823 (\$4,038,000 X \$20.83 / \$4.30).
7. Under the proposal the beer tax revenue will be distributed 87.39% to DPHHS and 12.61% to the state general fund.
8. Under the proposal, DPHHS will receive \$16,793,637 in FY 2006, an increase of \$15,870,913 over current law. In FY 2007, DPHHS will receive \$17,094,203, an increase of \$16,154,965 over current law.
9. Under the proposal, tribal revenue sharing agreement amounts will be \$46,168 in FY 2006, a decrease of \$11,832 from the current distribution. In FY 2007, the tribal revenue sharing amount will be \$47,760, a decrease of \$12,240.
10. Under the proposal, in FY 2006 the state general fund will receive \$2,423,249. After deducting the tribal revenue sharing agreement amounts, the net amount to the general fund is \$2,377,081, a decrease of \$609,195 from current law.
11. Under the proposal, in FY 2007 the state general fund will receive \$2,466,620. After deducting the tribal revenue sharing amounts, the net amount to the general fund is \$2,418,860, a decrease of \$619,902. The following table summarizes the effects on revenues.

Impact on Revenues of SB 343						
	----Current Law HJR 2----		----Proposed Law, SB343----		-----Change in Revenue-----	
	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007
State General Fund Allocation	\$3,044,276	\$3,098,761	\$2,423,249	\$2,466,620	(\$621,026)	(\$632,141)
GF Distribution to Tribes	(\$58,000)	(\$60,000)	(\$46,168)	(\$47,760)	\$11,832	\$12,240
Net General Fund Allocation	\$2,986,276	\$3,038,761	\$2,377,081	\$2,418,860	(\$609,195)	(\$619,902)
DPHHS Allocation	\$922,724	\$939,239	\$16,793,637	\$17,094,203	\$15,870,913	\$16,154,965
Total Collections	\$3,967,000	\$4,038,000	\$19,216,886	\$19,560,823	\$15,249,886	\$15,522,823

12. The department does not anticipate any additional administrative costs associated with the proposal. Any expenses can be absorbed in the existing department budget.
13. The bill is effective on July 1, 2005 and applies to beer sold by a wholesaler on or after the effective date.

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Department of Public Health and Human Services (DPHHS)

14. Section 53-24-108, MCA, statutorily appropriates 20% of the collections be distributed to counties for use by state approved private or public alcoholism programs. This is estimated to \$3,174,183 in FY 2006 and \$3,230,993 in FY 2007.
 - a. FY 2006 $\$15,870,912 \times .20 = \$3,174,182$
 - b. FY 2007 $\$16,154,964 \times .20 = \$3,230,993$
15. Section 53-24-108, MCA, statutorily appropriates 6.6% of the collections be distributed to state approved private or public alcoholism programs that provide services for treatment and rehabilitation for persons with co-occurring serious mental illness and chemical dependency. This is estimated to be \$1,047,480 in FY 2006 and \$1,066,228 in FY 2007. DPHHS would procure these services through contracts and provide benefits for qualifying individuals.
 - a. FY 2006 $\$15,870,912 \times .066 = \$1,047,480$
 - b. FY 2007 $\$16,154,964 \times .066 = \$1,066,228$
16. DPHHS would expand capacity at the state owned and operated Montana Chemical Dependency Center (MCDC) in Butte. In order to expand treatment capacity to 80 people per day, MCDC would need 9.00 FTE per year. Personal services costs are estimated to be \$341,932 per year.
 - a. 3.00 FTE grade 12 treatment specialists - $\$33,341 \times 3 = \$100,023$
 - b. 1.00 FTE grade 14 LPN - \$38,744
 - c. 1.00 FTE grade 15 RN - \$41,899
 - d. 2.00 FTE grade 14 Licensed Addiction Counselors - $\$38,744 \times 2 = \$77,488$
 - e. 2.00 FTE grade 15 Mental Health Professionals - $\$41,899 \times 2 = \$83,798$
17. MCDC has experienced difficulty in recruiting qualified professional positions. In order to expand capacity, the state must adjust pay to assist with recruitment and retention of qualified staff through review of position descriptions or by moving to an alternative pay plan. It is estimated to cost \$141,730 per year to move to an alternative pay plan to recruit and retain qualified personnel.
18. Additional target populations would be served for addiction to drugs and alcohol, including the methamphetamine epidemic. Targeted populations include corrections, family services, and the working poor. The following services would be provided:
 - a. Non-medical detoxification services for two beds in 12 communities statewide. It is estimated to cost \$150 per day per bed, for a total of \$1,314,000 for both FY 2006 and FY 2007 ($\$150 \times 2 \times 12 \times 365$ days).
 - b. Recovery homes for eight clients per home at 10 locations. These would be located on four reservations and in six communities. It is estimated to cost \$139,000 per home per year for a total of \$1,390,000 for both FY 2006 and FY 2007 ($\$139,000 \times 10$).
 - c. Women and children's homes for eight families per home at nine locations. These would be located on four reservations and in five communities. It is estimated to cost \$325,000 per home per year for a total of \$2,925,000 for both FY 2006 and FY 2007 ($\$325,000 \times 9$).
 - d. Transitional homes for eight clients per home at 10 locations. These would be located on four reservations and in six communities. It is estimated to cost \$230,000 per home per year for a total of \$2,300,000 for both FY 2006 and FY 2007 ($\$230,000 \times 10$).
 - e. Adolescent residential treatment centers for 14 beds at seven locations. These would be located on two reservations and in five communities. It is estimated that the cost per home (without Medicaid related services) would be \$402,000 per year for a total of \$2,814,000 for both FY 2006 and FY 2007 ($\$402,000 \times 7$).
 - f. It is estimated that a total of \$422,568 in FY 2006 and \$631,062 in FY 2007 would be used for Medicaid match for services to the clients in the homes and treatment centers. The federal medical assistance participation (FMAP) rate for Medicaid costs is .2929 general fund and .7071 federal

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funds in FY 2006 and .2992 general fun and .7008 federal funds in FY 2007. The match would generate \$1,020,136 of federal funds in FY 2006 \$1,478,102 of federal funds in FY 2007.

- i. FY 2006 \$422,568 / .2929 = \$1,442,704 total Medicaid x .7071 = \$1,020,136 federal funds.
- ii. FY 2007 \$631,062 / .2992 = \$2,109,164 total Medicaid x .7008 = \$1,478,102 federal funds.

FISCAL IMPACT:

FTE	9.00	9.00
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Expenditures:

Personal Services	\$483,682	\$483,682
Local Assistance	\$4,221,663	\$4,297,221
Grants	\$9,429,000	\$9,429,000
Benefits	<u>\$2,756,704</u>	<u>\$3,423,164</u>
TOTAL	\$16,891,049	\$17,633,067

Funding of Expenditures:

State Special Revenue (02)	\$15,870,913	\$16,154,965
Federal Special Revenue (03)	<u>\$1,020,136</u>	<u>\$1,478,102</u>
TOTAL	\$16,891,049	\$17,633,067

Revenues:

General Fund (01) DOR	(\$609,195)	(\$619,902)
State Special Revenue (02) DOR	15,870,913	16,154,965
Federal Special Revenue (03) DPHHS	<u>1,020,136</u>	<u>1,478,102</u>
TOTAL	\$16,281,854	\$17,013,165

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$609,195)	(\$619,902)
State Special Revenue (02)	\$0	\$0
Federal Special Revenue (03)	\$0	\$0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The bill provides increased funding to counties for prevention and treatment services of alcoholism and chemical dependency.

LONG-RANGE IMPACTS:

This proposal will reduce general fund revenues each year. It is not known the impact that the increase in taxes will have on beer consumption but a decrease in consumption could further reduce the revenues going to the general fund.